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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 1 June 1978

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NATIONAL SECURITY INFORMATION

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National Intelligence Daily Cable for Thursday, 1 June 1978.

The NID Cable is for the purpose of informing senior US officials.

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Rhodesia

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BANGLADESH: Election Prospects

25X1 [] //Amid continuing rumors of coup plots within the military, Bangladesh's President and Chief Martial Law Administrator, Major General Ziaur Rahman, continues to campaign confidently for Saturday's presidential election. His major opponent, retired Major General M.A.G. Osmani, like Zia a popular hero of Bangladesh's independence struggle in 1971, is the compromise candidate of a coalition led by the badly factionalized Awami League. Most observers in Bangladesh foresee an easy victory for Zia, but there is no way to sample voter preference, and an upset is possible.//

25X1 [] Since November 1975 when he reluctantly took control of the government after the country had suffered three coups in three months, Zia has become a confident and ambitious national leader. Ruling at first through a martial law administration with a figurehead civilian president, Zia has governed for the past year as president--confirmed in that post by an overwhelming vote in a relatively free referendum in May 1977.

25X1 [] Zia's confidence in his ability to govern has grown despite setbacks he encountered in his attempt to forge a government composed of all parties and major politicians. This April, he lifted the ban on political activity, scheduled the presidential election that is to be followed by a parliamentary election in November, and announced his intention to be a candidate for the presidency.

25X1 [] Zia has been an honest leader and has brought the country a degree of stability it has not known since independence from Pakistan in 1971. Good weather has brought bumper harvests for three years, and the country's resulting prosperity has apparently made Zia popular with the voters.

25X1 [] If elected, Zia is likely to press for a strong presidential system of government. His disparate electoral alliance includes the conservative Muslim League, the pro-Peking National Awami Party, the Leftist United People's Party, Jagodal--the party formed to back Zia--and a host of smaller parties. These groups are held together only by a common desire to see Zia remain the country's leader and to prevent the Awami League from returning to power.

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[] The League, which ruled Bangladesh for five years following its independence, is the country's largest party and has considerable grass-roots support. It heads a coalition backing Osmani's candidacy that includes the banned pro-Moscow Communist Party and several minor parties.

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[] The opposition coalition is a disparate alliance formed only for the purpose of ousting Zia and returning the country to a parliamentary form of government. Osmani himself apparently is not in charge of his campaign and is frequently at odds with the Awami League politicians who have dominated it.

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[] A strong showing by Zia will encourage more politicians to join his national front. This in turn should help Zia's backers defeat candidates of the Awami League in the parliamentary election in November. A close presidential election, or one widely believed to have been rigged, would almost certainly encourage the anti-Zia opposition to agitation and perhaps violence. Zia considers the election a vital step in satisfying international interest in seeing Bangladesh returned to civilian rule.

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EGYPT: Sumed Pipeline Prospects

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[] *The amount of oil piped through the Sumed pipeline, which runs from Suez to the Mediterranean near Alexandria, is likely to exceed that shipped through the Suez Canal this year, the Sumed's second year of operation. Reduced tolls and the large capacity of its terminals have increased the pipeline's share of Persian Gulf oil traffic with the West.*

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25X1 [] With both of its pipes now available, the 1.6-million-barrel-per-day capacity pipeline should reach the 1978 target rate of 1 million barrels per day later this year. Once its full initial capacity is reached, Egypt will construct another pumping station that will boost capacity to 2.3 million barrel per day.

25X1 [] To attract business, Sumed officials have cut the toll rate from the originally planned 22 cents per barrel to a sliding scale that drops from 19 cents to 12 cents per barrel as quantities increase. At current market rates, Sumed offers substantial cost savings over the Cape route for Persian Gulf oil to Mediterranean destinations.

25X1 [] Oil shipped to Sicily via Sumed, for example, costs 37 cents per barrel for transportation compared to 46 cents via the Cape. Sumed is also competitive with very large crude carriers traveling around the Cape of Good Hope to North Atlantic markets and offers major savings over shipment via the small tankers able to transit the Suez Canal.

25X1 [] Sumed's reduced rates--and the ability of its terminals to handle tankers up to 270,000 dead weight tons at both ends of the pipeline--have enabled it to carve out a growing share of Persian Gulf oil traffic with the West. The pipeline now handles about 6 percent of the 13 million barrels per day of Persian crude oil shipped to Western destinations; at full capacity it would account for some 12 percent of the market.

25X1 [] Mediterranean markets are the major destinations for crude oil shipped via Sumed. In 1977, Italy took almost 70 percent, French ports slightly more than 10 percent, and Eastern Mediterranean and Adriatic ports another 10 percent. About 8 percent went to the US. []

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UNITED KINGDOM: By-Election Report

25X1 [] *//The Labor Party's prospects for success in a general election received a boost yesterday when it retained its hold on Hamilton in a critical Parliamentary by-election. The Scottish Nationalist Party, which just six weeks ago was expected to win, suffered an important setback.//*

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[] //Despite heavy canvassing, publicity generated by last week's annual party conference, and running one of its most attractive candidates, the SNP was not able to overcome a recent general decline in support and a resurgence in Labor strength throughout Scotland. The Labor Party received about 50 percent of the vote, improving its position slightly over the results of the general election of October 1974. The SNP total fell to one-third of the vote, from a 1974 total of 39 percent.//

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[] //The Labor Party has benefited from encouraging economic news and an apparent decline in the number of voters who feel that the SNP is an adequate vehicle for change. During the past three months, Labor Party support in Scotland has risen from 35 to 47 percent in public opinion polls, while SNP strength has dropped from 27 to 24 percent.//

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[] //This is the second Scottish by-election victory for Labor this year, and early last month the party outdistanced the SNP in local elections. Even before the Hamilton loss, the decline in SNP fortunes was reflected in an atmosphere of depression at the party conference, where hopes of becoming Scotland's majority party have dimmed.//

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[] //Many voters who had turned to the SNP in protest--although they may not have supported the party's program of independence for Scotland--may have begun to drift back to the Labor Party. Since the SNP now takes part in government in several areas of Scotland, its decisions are subject to the same type of criticism as the other parties. SNP reverses do not, however, mean the imminent collapse of the party. It retains a substantial reservoir of support, particularly among the 20 to 25 percent of Scottish people who favor independence from England.//

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[] //The Liberals, whose vote was cut almost in half compared to 1974, continued their now-familiar pattern of decline, while the Conservatives continued a pattern of recent by-election gains, improving their vote by nearly one-third.//

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[] //Since a good showing in Scotland is essential for the Labor Party, the Hamilton victory, combined with the recent poll results, will encourage those who favor an October election. []

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FRANCE: Arms Export Campaign

25X1 [] //France, the largest and most aggressive West European exporter of arms to Third World clients, is resisting US pressure for restraint in arms sales and over the last year has made strenuous efforts to sell a wide array of military equipment.//

25X1 [] //The French arms sales campaign over the last year is reminiscent of the drive in the mid-1960s when France offered Mirage jet fighters to Latin America after the US restricted military credits to these countries and refused to introduce new or sophisticated systems to the area. France subsequently sold more than 90 fighter aircraft to five Latin American countries.//

25X1 [] //This year, French arms sales could surpass the record level of 1974. Major contracts concluded to date provide for the sale of a helicopter production facility to Brazil, Alpha jet trainer/light attack aircraft to Morocco, and helicopters to Tunisia. France is now negotiating a \$2 billion arms deal with Saudi Arabia and discussing sales of fighter aircraft to at least six other countries.//

25X1 [] //Paris' willingness to push arms sales to Third World countries reflects in part its need to cover the increasing costs of weapons systems. With only a small domestic market, the government encourages export sales to counteract the decline in domestic defense spending, to maintain domestic employment, and to extend its political influence in the Third World.//

25X1 [] //French industry is capable of producing a nearly complete array of military hardware. Several Third World countries--Mexico, Taiwan, and Brazil--appear apprehensive about the reliability of the US as an arms supplier and have sent arms purchasing missions to Paris to see what the French have to offer.

USSR: Brezhnev's Prague Speech

25X1 [] In a speech in Prague yesterday, President Brezhnev stressed the seriousness of Soviet interest in disarmament and reiterated Moscow's complaint that "the stand of our main

partners in the talks is full of contradictions." He did not specifically refer to recent US statements on Soviet policy or to the senior US officials who made them but charged that "propaganda clamor" alleging Soviet and Cuban complicity in the events in Zaire had been drummed up to conceal a "cynical and bloody" NATO intervention.

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[] Brezhnev said that the 1975 Helsinki conference on European security and cooperation had laid a good foundation for detente but that some "political circles" were trying to frustrate the process and return to an atmosphere of at least "chilly" war.

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[] On disarmament, Brezhnev took a swipe at China by declaring that "no one has a right to keep aloof from this cause" and that the USSR opposes "fruitless polemics." He also noted the coincidence of the UN special session on disarmament with the NATO summit in Washington and charged the latter was discussing new and long-range "military preparations."

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[] Brezhnev asserted the USSR is ready to ban any type of weapon, provided that such a ban be accomplished without weakening any country's security and that it be accompanied by "full reciprocity" by those states possessing the weapons. This statement seems to be a generalized formulation that covers previous Soviet offers to ban various types of arms, including nuclear, "neutron," and highly destructive conventional weapons.

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[] Brezhnev's characterization of recent US statements about Zaire appears to be the leadership's interim reaction. Whether future statements from the Kremlin take on a harsher tone may depend in part on what Foreign Minister Gromyko reports when he returns to Moscow from his talks in the US. The Soviet press has been more specific and harsh, charging Dr. Brzezinski with "bellicosity" and "ill will" and describing the President's remarks at the recent Chicago press conference as "unfounded."

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ROMANIA-ASIA: Ceausescu Visit

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[] Romanian President Ceausescu's swing through Southeast Asia last week did little more than highlight the differences between Chinese and Soviet allies in that region.

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[] Ceausescu ended his tour by signing a friendship treaty with Cambodia that implicitly acknowledges Romanian support for Phnom Penh in its border conflict with Vietnam. If Ceausescu made any offer to mediate the dispute, it apparently was not taken up.

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[] Romanian support for Cambodia is sure to irritate the Vietnamese and the Soviets. During Ceausescu's stop in Hanoi, the Vietnamese leaders reiterated their stand on the border dispute and showed no willingness to accept third party mediation. The Soviets, who endorse Hanoi's charges of Cambodian "aggression," probably view the new treaty as indirectly aimed at their support to Hanoi. The Romanian gesture will, however, go down well in Peking; the Chinese remain the main source of economic and military assistance to the Cambodian regime.

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[] Similarly, Peking is probably pleased by the difficulties Ceausescu encountered in Laos--another ally of the Vietnamese. According to the US Embassy in Vientiane, Ceausescu's visit ran into unexpected difficulties there. No joint communique was signed and no trade or economic agreements were concluded, reportedly because of Romanian objections to excessive Lao subservience to Hanoi. The signing of a Lao-Romanian friendship and cooperation agreement--drafted prior to the trip--was also abandoned. []

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USSR: New Generator Approved

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[] *The Soviets have decided to build a larger version of their 25-megawatt magnetohydrodynamic electric generator. Such generators--in which ionized gases at high temperatures generate a voltage by passing through a magnetic field--have no moving parts and are more efficient than conventional gas turbines. The Soviets, who lead other countries in application of this technology, nevertheless will have to rely on assistance from the US to support the new program, particularly in the area of large superconducting magnets.*

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[] The new generator will have a 250-megawatt capacity and will operate jointly with a standard steam turbine generator with the same capacity. Combining the two generators into one installation will enable the Soviets to fall back on the conventional one if problems develop with the other. The magnetohydrodynamic half of the power station will nominally be used for peak power production only.

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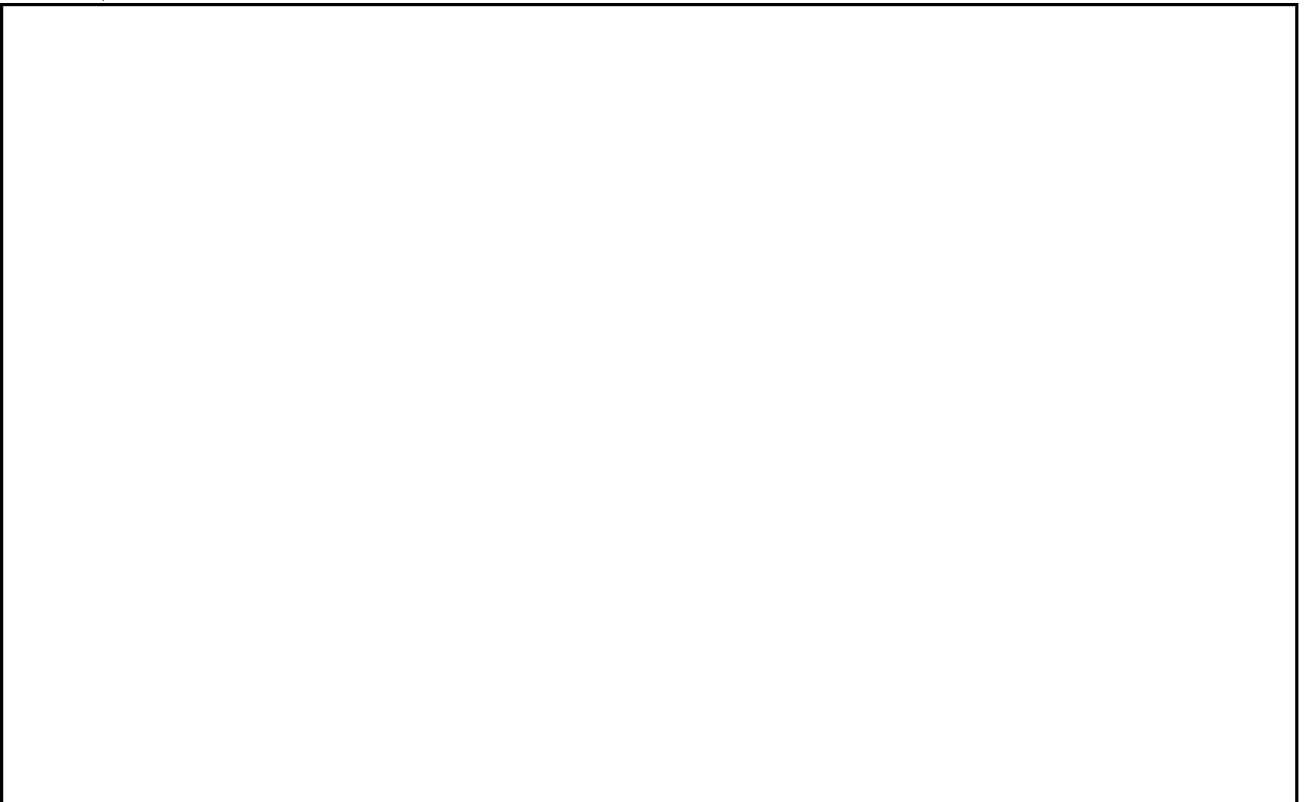
[] Construction will begin in mid-June, and the Soviets estimate initial startup in 1983 or 1984. They are unlikely to meet this schedule, however, because of problems they are likely to encounter in scaling up by a factor of 10 from the 25-megawatt generator. In this regard, the Soviets have not yet been able to operate the 25-megawatt generator at full capacity for extended periods.

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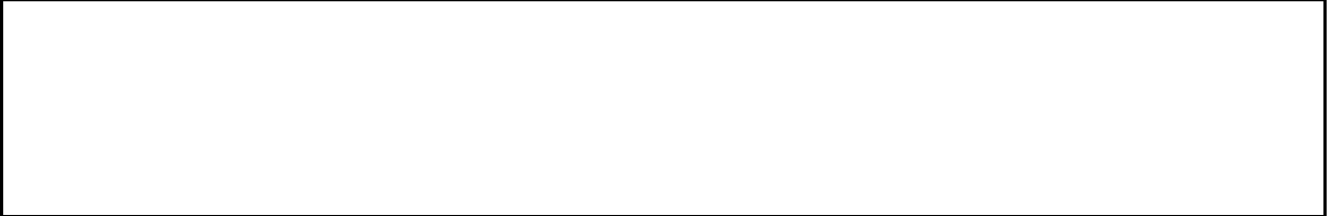
[] The Soviets, moreover, probably do not now have the capability to upgrade the smaller generator and its components to support the new program. They will be forced to rely on the US for design and technical assistance in the manufacture of several key components. This will increase the importance to the USSR of the Soviet-US program for exchanging information on magnetohydrodynamics, under which the Soviets probably anticipate gaining the technical assistance necessary to support the ambitious new program. []

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BRIEFS

Rhodesia

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[REDACTED] Rhodesia's biracial transition government has decided to conduct the election for a majority government under a system of proportional representation. The voters will choose party lists instead of voting for individuals from specific constituencies. On Tuesday, the Executive Council predicted that under this system an election could be held before the 31 December target date for a final transfer of power to a majority government. Delimiting constituencies, the government believes, would force a delay in the vote until late next year.

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[REDACTED] The government statement is the latest in a series of announcements designed to give the impression of progress toward an internal settlement. Although the election should be easier to conduct under this system, the government still faces the difficult tasks of registering black voters for the first time and of countering guerrilla activity that in some rural areas could prevent any election at all. Government leaders hope, however, that an election under a proportional representation system will attract sufficient participation to convince outsiders that a genuine transfer of power has taken place.

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